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After Bitcoin Auction, Winning Bidders Remain Elusive

By SYDNEY EMBER JUNE 30, 2014 6:59 PM

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Since Friday, when the United States Marshals Service auctioned off nearly 30,000 Bitcoins, investors and Bitcoin enthusiasts alike have been eagerly awaiting the results. As the agency began notifying winning and losing participants late on Monday afternoon, many in the Bitcoin world were still trying to figure out who won and the what they paid.

Some prominent bidders were left scratching their heads. “The U.S. government auction created a tremendous amount of new demand for Bitcoin,” said Dan Morehead, who bid through Pantera Bitcoin, largely considered a front-runner in the auction. “Most of the people we spoke to were new entrants to the Bitcoin market.” He added: “None of our bids were hit. I think it went at quite a high price.”

Barry Silbert, who runs a Bitcoin investment fund through his firm SecondMarket, said on Twitter that his syndicate, which received 186 bids from 42 bidders, had been outbid on all blocks.

The United States Marshals Service, with help from the F.B.I. and federal prosecutors in Manhattan, arranged the online auction for 29,656 of the Bitcoins seized from the now-defunct market Silk Road. The site was shut in October and has been accused of aiding the sale of illegal goods and services.

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Bidders had a 12-hour window on Friday to submit one sealed bid for the coins, which had been broken up into lots of 3,000.

The Marshals Service said on Monday that 45 registered bidders participated in the event, and that the agency received 63 bids over the course of the auction. Beyond that, the agency has said from the beginning of the auction process that it will not reveal the names of the winning bidders or the amount of the winning bids.

The Marshals Service declined to comment further on Monday because the award process was ongoing.

Still, some names of bidders have trickled out, including Coinbase, a Bitcoin payment processor; Rangle Capital, a venture investment fund; and Alex Waters, the chief executive and co-founder of CoinApex, a Bitcoin-focused start-up.

Even as the names of those who submitted bids became public, most bidders remained largely tight-lipped about their bids. Chris DeMuth Jr., a partner at Rangle Capital, said he had bid below the market price but, like most participants thus far, would not comment on his exact bid.

"It's more about the process and the potential for the price than it is about anything intrinsic to the Bitcoins," Mr. DeMuth said. He said he was outbid.

As of Monday evening, DealBook had not yet determined the winner or winners of the auction.

Since the auction closed, the price of Bitcoin has climbed to about \$639 as of Monday evening, up from about \$570 when the auction began, according to CoinDesk. But experts were divided on whether the rise in price provided any indication about the bids.

After the auction closed, some bidders were in communication with each other, and a jump in price could indicate that they were driving up the price, said Gil Luria, an analyst with Wedbush Securities who has studied Bitcoin. Bidders "probably have more information than the market does, and that could explain why the market is up," he said. The price fluctuation is also within the normal range for Bitcoin, he added.

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The increase in price could also have been a red herring, said Steven Englander, a research analyst with Citigroup. "People who bid and who are successful in their bidding obviously would like the market to think that the price was high rather than low," he said.

Mr. Waters of CoinApex, who bid as an individual, appeared to send his bid using his cellphone while live on Bloomberg Television on Friday, but later confessed in an interview that he had forgotten to attach the bidding form to his email. He submitted his bid for one block of Bitcoins, at a price of \$403 each, later on Friday afternoon. He, too, did not win.

"I was anticipating a lot of the other bidders getting disqualified because it seemed to me that the Marshals Service didn't want syndicates bidding," Mr. Waters said, referring to the agency's intense screening process. "It was sort of just a fun thing. I took a gamble."

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